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PAGE PETROLEUM LTD.

1971 annual report



PAGE PETROLEUM LTD.

Incorporated under the Laws of Alberta

DIRECTORS

Lawton L. Clark, Amarillo, Texas
C. Derek Gould, Calgary, Alberta
Harold E. Hunt, Calgary, Alberta
Brian G. McCombe, Calgary, Alberta

OFFICERS

Lawton L. Clark, President
C. Derek Gould, Vice President
Brian G. McCombe, Secretary

CAPITALIZATION

Authorized 5,000,000 shares No Par Value
Issued Capital — 1,267,557 shares

REGISTERED OFFICE

Suite 402,
330 - 9th Avenue, S.W., Calgary 2, Alberta
Address after June 1, 1972:
2nd Floor, Bradie Building
630 - 6th Avenue South West
Calgary, Alberta
T2P 0S8

TRANSFER AGENT AND REGISTRAR

The Canada Trust Company
Calgary, Alberta, Toronto, Ontario,
Vancouver, B.C.

AUDITORS

Collins Love Eddis Valiquette & Barrow
Second Floor Pacific 66 Plaza
700 - 6th Avenue, S.W., Calgary 1, Alberta

LEGAL COUNSEL

McLaws & Company
Sixth Floor
407 - 8th Avenue, S.W., Calgary 2, Alberta

BANKING

Canadian Imperial Bank of Commerce
309 - 8th Avenue, S.W., Calgary 2, Alberta

STOCK EXCHANGE LISTING

The Toronto Stock Exchange, Toronto, Ontario
Symbol "PGE"

The Annual Meeting of shareholders will be held on April 28, 1972, at 10:30 a.m. in the Oval Room of the Palliser Hotel, 133 - 9th Avenue South West, Calgary, Alberta. Notice of the meeting and proxy forms are being mailed with this report.



PAGE PETROLEUM LTD.

1971 ANNUAL REPORT

REPORT TO THE SHAREHOLDERS

We are pleased to present the first annual report for Page Petroleum Ltd. The Company is the result of the amalgamation on August 13, 1971, of Berkley Oil and Gas Ltd. and Canadian Fortune Oil Ltd. Following are some 1971 highlights:

- ▲ The listing of the shares of Berkley Oil and Gas Ltd. on The Toronto Stock Exchange.
- ▲ The amalgamation of Berkley Oil and Gas Ltd. and Canadian Fortune Oil Ltd. into Page Petroleum Ltd.
- ▲ The award to Page's wholly owned subsidiary, Berkley Petroleums (U.K.) Limited, of a two-thirds interest in a licence covering a portion of three blocks in the British portion of the North Sea.
- ▲ Commencement of operations at West Nipisi which, in January of 1972, resulted in an apparent Gilwood Sand oil discovery.

FINANCIAL

The financial statements submitted in this report state results on a pooling of interests basis. The statements reflect the eleven-month period prior to December 31, 1971, and include comparative figures for the twelve-month period prior to September 30, 1970.

Gross revenue for the eleven months covered by the report was \$265,169. Cash flow from operations was \$100,360, or 8¢ per share, while net income was \$45,155, or 4¢ per share.

OIL RESERVES

The Company's net oil reserves, after royalties, are estimated as follows:

As of consulting engineers' report
August 1, 1971:

	BARRELS
Proven	1,600,741
Probable	244,263
Total:	1,845,004
Less production August 1 to December 31, 1971	34,361
Net reserves as of December 31, 1971:	1,810,643

PRODUCTION

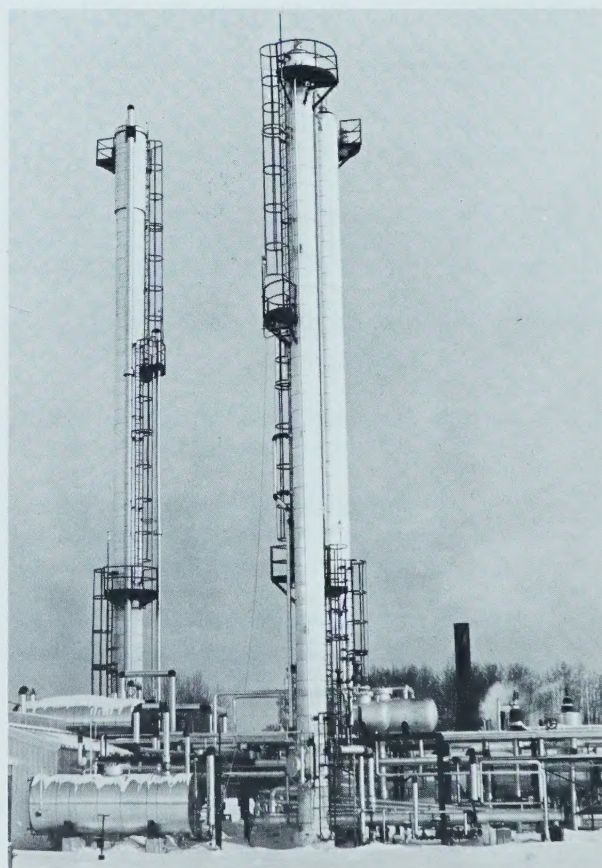
The bulk of the Company's production comes from the Mitsue Gilwood Sand Unit #1. It is gratifying to note that production from the unit continues to increase. During the calendar year of 1971, production from this unit averaged 36,600 barrels per day compared to an average production of 31,600 barrels per day during the calendar year of 1970. Unit facilities were upgraded during 1971 so as to permit sustainable production rates of 46,000 barrels per day. At this rate Page's share of production would be 300 barrels per day. Studies are now underway to determine the advisability and cost of increasing sustained producing capacity to 66,000 barrels per day.

LAND

At year end the Company had an interest in 3,495,601 gross acres which are summarized as follows:

	WORKING GROSS ACRES	INTEREST NET ACRES	NET ROYALTY INTEREST ACRES
Western Canada	59,411	21,907	72,969
Arctic Islands	1,362,571	204,386	903,517
Alaska	536,194	67,584	—
United Kingdom	529,105	279,801	—
Italian Adriatic	—	—	31,834

Gas Plant — Mitsue



EXPLORATION AND DEVELOPMENT

WESTERN CANADA

During 1971 Page and its predecessors participated in six exploratory wells with two additional wells underway at year end. Of the eight wells, seven of these were dry holes and one was an oil discovery at Nipisi in north central Alberta. The Company participated in six development wells within the Mitsue unit. All were successful. Two wells were drilled by others on lands in which the Company owned royalty or lease interests. One was completed as a gas well and one was abandoned.

At Holden in central Alberta the Company sold its scattered leasehold interests, retaining a 5% overriding royalty interest. Several gas

wells have been drilled near these lands and a pipeline connection is expected soon.

Seismic surveys were run on four prospects. Two prospects were condemned and acreage has been purchased on two. One of these prospects was drilled in 1971 and found to be barren; the second prospect will be drilled in 1972.

Land acquisition is underway on several geological prospects developed by the Company.

CANADIAN ARCTIC ISLANDS

Industry activity in the Arctic continues to increase. Recent oil and gas discoveries indicate that the area has good petroleum potential. Page is seriously considering



participating in an Arctic drilling consortium which plans to drill evaluation wells near some of the Company's holdings.

Page's holdings in the Arctic Islands consist of an undivided 15% interest in 1,362,571 acres of permits on Ellesmere, Devon, and Russell Islands, and a 0.3% overriding royalty under 903,000 acres of permits on Banks Island. Several wells have some significance to your Company and are shown on the map on the previous page.

Ellesmere Island:

1. Panarctic Romulus C-42: a reported oil discovery on the Ellesmere Island. This is 45 miles from our holdings on Ellesmere.

Banks Island:

2. Elf Storkerson Bay A-15: dry and abandoned at 6,719 feet in the Devonian - 'tight hole'.
3. Elf Nanuk D-76: currently drilling.

Russell Island:

4. Sun Panarctic Russell H-92: dry and abandoned at 6,020 feet - 'tight hole'.

UNITED KINGDOM

The Company owns an undivided 50% interest in 436,000 acres of Petroleum Production Licences in southern England. A seismic program has been completed on a portion of its holdings in the West Dorset area. Results were favourable and application has been made to the local authorities for approval to drill a test to approximately 6,000 feet. Approval is expected by June of this year.

Other operators have announced their intention to drill wells near our holdings. These are shown on the accompanying map:

1. British Petroleum: 10,000' basement test, expected to spud in March.
2. Consolidated-Teck: 3,200' Devonian test, expected to spud in March, a follow-up to the Geological Survey's gas discovery.

3. and 4. Possible Ulster Petroleum locations.

In the North Sea the Company acquired a two-thirds interest in a 90,000 acre Petroleum Licence. Nearby gas discoveries indicate that the Bunter formation is very prospective here. Seismic information indicates a large structure on the property. Additional new seismic work will be required to determine if the structure justifies drilling.

Page operates in the U.K. through its wholly-owned subsidiary, Berkley Petroleum (U.K.) Limited.

Discovery Well — West Nipisi



UNITED KINGDOM NORTH SEA

-  Company acreage
-  Pending applications
-  Oil pools
-  Gas pools

Atlantic Ocean

FAROE ISLANDS

SHETLAND ISLANDS

ORKNEY ISLANDS

SCOTLAND

NORWAY

North Sea

Frigg

Forties

Cod

Ekofisk

Eldfisk

Josephine

Auk

Nam

WALES

ENGLAND

LONDON

PORTSMOUTH

ISLE OF WIGHT

Kimmeridge Oil Production

Gas Show

130

131

128

129

BERKLEY NETTLECOMBE #1

PLYMOUTH

CARDIFF

25 0 25 50

MILES

IRELAND

WALES

ENGLAND

LONDON

BELGIUM

FRANCE

English Channel

25 0 25 50 75
Miles

OUTLOOK

The Company's plans call for expanded exploratory activity during 1972. As in the past, we will operate chiefly in the southern and central areas of western Canada. Page has also achieved a rather wide exposure in highly potential frontier areas at little cost to the Company. Page holds varied interests in the Canadian Arctic Islands, the Italian Adriatic, onshore United Kingdom and in the North Sea. As this is being written we are looking forward to development of potentially productive leases offsetting discoveries at West Nipisi in Alberta and at Rapdan in Saskatchewan.

The Company remains in an excellent financial position and could, if necessary, borrow relatively substantial sums for development drilling or other worthy corporate purposes. We look forward with anticipation to the coming year and to the opportunities it will bring.

Lawton L. Clark

Lawton L. Clark,
President

March 15, 1972

Loading Propane — Mitsue





PAGE PETROLEUM LTD. AND SUBSIDIARY COMPANIES

Consolidated Statement of Income and Deficit

✧ Eleven Months Ended December 31, 1971
(with comparative figures for the year ended September 30, 1970)

	December 31, 1971	September 30, 1970
Income		
Oil and gas sales	\$ 235,364	\$ 218,796
Royalties	6,744	2,272
Administrative and management fees	16,795	5,611
Drilling arrangements	5,755	22,900
Other	511	84
	<u>265,169</u>	<u>249,663</u>
Expenses		
Production costs	25,487	31,280
General and administrative	114,607	110,251
Lease rentals	668	3,123
	<u>140,762</u>	<u>144,654</u>
	<u>124,407</u>	<u>105,009</u>
Other		
Investment income	(1,364)	(10,448)
Unrealized loss (gain) on investments	(10,536)	11,856
Reorganization costs	35,947	10,018
	<u>24,047</u>	<u>11,426</u>
Income before depletion and depreciation	100,360	93,583
Depletion	32,078	43,590
Depreciation	23,127	29,188
	<u>55,205</u>	<u>72,778</u>
Net income	<u>45,155</u>	<u>20,805</u>
Deficit, beginning of period	130,761	151,566
Net income for the period September 30, 1970 to January 31, 1971	29,883	—
	<u>100,878</u>	<u>151,566</u>
Deficit, end of period	<u>\$ 55,723</u>	<u>\$ 130,761</u>
Earnings per share	<u>\$.04</u>	<u>\$.02</u>

The accompanying notes are an integral part of these financial statements



PAGE PETROLEUM LTD. AND SUBSIDIARY COMPANIES

Consolidated Balance Sheet

December 31, 1971

ASSETS

Current assets

Cash and short term deposits	\$ 28,790
Marketable securities, at quoted market price (cost \$35,329)	27,365
Accounts receivable - trade	233,280
Prepaid expenses	3,149

292,584

Drilling and exploration deposits	46,501
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Investment in limited partnership (note 4)	2,062
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Capital assets, at cost (note 5)

Property and equipment	1,335,913
Less: Accumulated depreciation and depletion	293,414

1,042,499

Approved on behalf of the Board,

LAWTON L. CLARK, Director.

C. D. GOULD, Director.

\$ 1,383,646

LIABILITIES

Current liabilities	
Accounts payable - trade	\$ 185,621
Current portion of long-term debt	12,000
	<u>197,621</u>
Long-term	
Bank loan, secured (note 6)	53,965
Less: Portion due within one year	12,000
	<u>41,965</u>

SHAREHOLDERS' EQUITY

Capital stock	
Authorized	
5,000,000 shares without par value	
Issued	
1,267,557 shares	949,472
Contributed surplus	250,311
Deficit	(55,723)
	<u>1,144,060</u>
	<u>\$ 1,383,646</u>

The accompanying notes are an integral part of these financial statements



PAGE PETROLEUM LTD. AND SUBSIDIARY COMPANIES

Consolidated Statement of Source and Application of Funds

Eleven Months Ended December 31, 1971

(with comparative figures for the year ended September 30, 1970)

	December 31, 1971	September 30, 1970
Source of funds		
Operations		
Net income	\$ 45,155	\$ 20,805
Add: Expenses not requiring an outlay of funds		
- depletion	32,078	43,590
- depreciation	23,127	29,188
- sundry	1,455	6,763
Funds provided from operations	101,815	100,346
Proceeds from bank loan	—	57,000
Proceeds from disposal of investments	—	20,543
Proceeds from sale of capital stock	35,500	50,000
	<u>137,315</u>	<u>227,889</u>
Application of funds		
Reduction of long-term debt	12,902	—
Additions to capital assets - net	124,505	326,292
Investment in limited partnership drilling fund	20,631	—
Additions to drilling and exploration deposits	21,112	10,961
	<u>179,150</u>	<u>337,253</u>
Decrease in working capital	41,835	109,364
Working capital, beginning of period	138,796	248,160
Decrease in working capital for the period September 30, 1970 to January 31, 1971	(1,998)	—
	<u>136,798</u>	<u>248,160</u>
Working capital, end of period	<u>\$ 94,963</u>	<u>\$ 138,796</u>

The accompanying notes are an integral part of these financial statements



PAGE PETROLEUM LTD. AND SUBSIDIARY COMPANIES

Notes to Consolidated Financial Statements

December 31, 1971

1. AMALGAMATION

On August 13, 1971, Berkley Oil and Gas Ltd. and Canadian Fortune Oil Ltd. amalgamated under Section 156 of The Companies Act (Alberta) to form the continuing company, Page Petroleum Ltd. The terms of the amalgamation agreement provided that each of the issued and outstanding shares of Berkley Oil and Gas Ltd. (whether free or escrowed shares) would be converted into one-half of one issued and outstanding share of the amalgamated company and each of the issued and outstanding shares of Canadian Fortune Oil Ltd. would be converted into one-fourteenth of one issued and outstanding share of the amalgamated company. Each of the shares of Berkley Oil and Gas Ltd. reserved for option, when exercised, will be converted to one-half of one share of the amalgamated company.

The amalgamation has been accounted for on the pooling of interests basis. On this basis, the book values of the assets and liabilities of the predecessor companies have been carried forward in the accounts of the amalgamated company, and their stated capital, contributed surplus and retained earnings or deficit have been included in the capital stock, contributed surplus and deficit accounts of the amalgamated company. Intercompany holdings of the predecessor companies were deducted from the capital stock and contributed surplus accounts of the amalgamated company.

2. PRINCIPLES OF CONSOLIDATION

The consolidated balance sheet includes the accounts of the predecessor companies (as outlined in Note 1) and all wholly owned subsidiaries. The excess of the purchase price of the shares of the subsidiaries over the underlying net book value at the dates of acquisition has been added to the "Property and Equipment" account. Intercompany accounts and transactions have been eliminated in consolidation.

3. ACCOUNTING PRINCIPLES

The companies follow the full cost method of accounting for oil and gas properties and equipment. Under this method, all costs incurred in the exploration for and development of oil and gas properties are capitalized. These costs are then amortized on the unit of production method based on the companies estimated proven recoverable reserves.

Under current income tax laws, costs incurred in the exploration and development of oil and gas are an allowable deduction when determining taxable income. The Canadian Institute of Chartered Accountants recommends accounting for deferred income taxes which arise due to timing differences in accounting for these properties written off for tax purposes. Management feels, however, that this treatment is not appropriate and, in common with accepted practice in the oil and gas industry, has not deferred income taxes on this basis.

At December 31, 1971 approximately \$782,000 of drilling, exploration and lease acquisition costs and \$116,000 of undepreciated capital costs remain to be carried forward and applied against future income.

4. LIMITED PARTNERSHIP

The Company is the sole general partner of Berkley 71 Company, a limited partnership formed pursuant to the laws of Alberta, Canada, for the purpose of exploring for oil and gas.

The Limited Partnership Agreement provides that the company, as general partner, is required to pay all of the tangible costs on initial wells and 30% of all other costs incurred.

Income from producing wells and proceeds from the sale of properties will be credited 70% to the limited partners and 30% to the company, as general partner.

Limited partnership investments totalled \$203,949 (\$200,200 U.S.) including an investment of \$20,369 (\$20,000 U.S.) by the company, as a limited partner.

The Company's investment in the limited partnership is reflected on the equity basis.

5. PROPERTY AND EQUIPMENT

The following is a summary of the cost of property and equipment and the related accumulated depletion and depreciation as at December 31, 1971.

	Cost of Assets	Accumulated Depletion and Depreciation	Net
Petroleum and natural gas leases and rights, including exploration and development costs thereon	\$ 1,101,863	\$ 167,743	\$ 934,120
Production equipment	207,980	111,964	96,016
Other equipment	26,070	13,707	12,363
	<u>\$ 1,335,913</u>	<u>\$ 293,414</u>	<u>\$ 1,042,499</u>

6. BANK LOAN

The bank loan is secured by a general assignment of accounts receivable, certain specific oil and gas properties and marketable securities and is repayable from proceeds of production.

7. COMMITMENTS AND GUARANTEES

The companies are committed for work performance on certain oil and gas exploratory permits in the amount of \$40,877. These commitments are secured by notes issued by the companies and guaranteed by their bankers.

8. CONTINGENT LIABILITY

The company is currently appealing a court decision regarding the manner in which Berkley Oil and Gas Ltd. has calculated royalties. If the appeal is unsuccessful, the company will become liable for approximately \$15,000 which amount has not been included in the financial statements.

9. COMPARATIVE PERIOD

The consolidated financial statements include comparative information of the predecessor companies for the year ended September 30, 1970 on the pooling of interests basis as outlined in Note 1.

10. STOCK OPTIONS

Employees' stock options outstanding at December 31, 1971, totalled 62,500 shares. Stock options for 50,000 shares are exercisable up to May 13, 1973 at prices ranging from \$2.30 to \$2.80 per share. Stock options for 12,500 shares are exercisable up to August 19, 1974, at prices ranging from \$1.62 to \$2.62 per share.

Auditor's Report

The Shareholders
Page Petroleum Ltd.

We have examined the consolidated balance sheet of Page Petroleum Ltd. and subsidiary companies as at December 31, 1971 and the consolidated statements of income and deficit and source and application of funds for the eleven months then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1971 and the results of their operations and the source and application of their funds for the eleven months then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta
March 1, 1972

COLLINS LOVE EDDIS VALIQUETTE & BARROW
CHARTERED ACCOUNTANTS

